

Message Text

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ORIGIN PM-03

INFO OCT-01 ISO-00 CIAE-00 DODE-00 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIE-00

INRE-00 NSCE-00 SSO-00 NEA-10 OMB-01 TRSE-00 AID-05

IGA-01 /057 R

DRAFTED BY PM/SAS-DNIEMI:DD

APPROVED BY PM-GSVEST

PM/SAS - MR. JAMES

L/PM - MR. MICHEL

NEA/ARN - MR. DEAN

NEA/ARP - MR. BUCK

TREASURY - MR. NENSEL

OMB - MR. MANTEL

T - MR. LEWIS

DOD/DSAA - MR. RUDD S/S:JPMOFFAT

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O 140027Z JUN 75

FM SECSTATE WASHDC

TO AMEMBASSY AMMAN IMMEDIATE

AMEMBASSY JIDDA

C O N F I D E N T I A L STATE 139603

E.O. 11652:GDS

TAGS: MASS, JO, SA

SUBJECT: FMS CREDIT FOR JORDAN

REFERENCE: SECDEF CABLE TO AMMAN DTG 061415Z(NOTAL)

1. STATE, DOD, AND TREASURY CONCUR IN THE FOLLOWING PROPOSED ARRANGEMENTS FOR THE \$30 MILION FMS GUARANTEED LOAN FOR JORDAN. (A) LOAN DOCUMENT - A LOAN AGREEMENT FOR \$30 MILLION WILL BE SIGNED BY AUTHORIZED REPRESENTATIVES OF THE
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FEDERAL FINANCING BANK (FFB) AND THE GOVERNMENT OF JORDAN.

THIS AGREEMENT MUST BE SIGNED ON OR BEFORE JUNE 30, AND SIGNING SHOULD TAKE PLACE IN WASHINGTON. THE LOAN AGREEMENT WILL NOT REPEAT NOT BE SIGNED BY THE SAUDIS. (B) FMS GUARANTY - DOD WILL EXECUTE A GUARANTY AGREEMENT WITH THE FFB FOR THE \$30 MILLION LOAN, GUARANTEEING REPAYMENT IN THE EVENT THAT THE BORROWER AND/OR CO-OBLIGOR/GUARANTOR OTHER THAN THE USG, IF ANY, SHOULD FAIL TO MAKE PAYMENTS REQUIRED UNDER THE LOAN AGREEMENT. (C) PROMISSORY NOTE - A SINGLE PROMISSORY NOTE COVERING THE \$30 MILLION WILL BE PREPARED BY FFB FOR SIGNATURE BY A DULY AUTHORIZED REPRESENTATIVE OF THE GOJ. IN ADDITION, PROVISION WILL BE MADE AT THE END OF THE PROMISSORY NOTE FOR AN SAG SIGNATURE AS THE CO-OBLIGOR/GUARANTOR. WHILE IT WOULD BE DESIRABLE FOR THE PARTIES TO SIGN THE LOAN AGREEMENT AND PROMISSORY NOTE AT THE SAME MEETING IN WASHINGTON, THERE IS NO REPEAT NO LEGAL REQUIREMENT THAT THE PROMISSORY NOTE BE SIGNED BY JUNE 30. HOWEVER, THE PROMISSORY NOTE MUST BE SIGNED BEFORE THE GOJ CAN DRAW DOWN FUNDS. THE PROMISSORY NOTE WILL CONTAIN THE STANDARD LANGUAGE PREPARED BY FFB FOR SUCH NOTES. (D) NOTICES OF PAYMENT DUE - FFB ROUTINELY SENDS A LETTER TO THE BORROWER APPROXIMATELY ONE MONTH BEFORE THE DUE DATE OF PAYMENTS AGAINST FFB LOANS. IN THIS INSTANCE, FFB WILL SEND THE ORIGINAL OF EACH NOTIFICATION LETTER TO THE JORDANIAN EMBASSY IN WASHINGTON WITH A COPY TO THE SAUDI EMBASSY.

2. LEGAL OPINION - AS NOTED IN REFTTEL, A WRITTEN OPINION OF THE COMPETENT LEGAL ADVISOR OF THE APPROPRIATE MINISTRY OF THE GOJ CERTIFYING TO THE VARIOUS AUTHORITIES NECESSARY TO EXECUTE, DELIVER, AND ADMINISTER THE AGREEMENT IS REQUIRED. THE LEGAL OPINION MUST BE RECEIVED PRIOR TO DISBURSEMENT OF FUNDS.

3. WE WILL EXPECT THE GOJ TO PAY THE GUARANTY FEE WHEN THE LOAN AGREEMENT IS SIGNED. AS NOTED IN REFTTEL, THIS ONE-TIME FEE IS CHARGED FOR THE ISSUANCE OF THE FMS CREDIT GUARANTY. THE GUARANTY FEE IS ONE-FOURTH OF ONE PERCENT OF THE PRINCIPAL AMOUNT OF THE LOAN (OR \$75,000) AND IS PAYABLE BY THE BORROWER FROM ITS OWN FUNDS AT THE TIME THE LOAN AGREEMENT IS SIGNED.

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4. THE \$30 MILLION LOAN WILL BE REPAID IN 10 YEARS, WITH APPROXIMATELY EQUAL SEMI-ANNUAL PRINCIPAL REPAYMENTS BEGINNING TWO YEARS AFTER SIGNATURE OF THE LOAN AGREEMENT AND INTEREST PAYMENTS ON THE OUTSTANDING DISBURSED BALANCE BEGINNING WITHIN SIX MONTHS AFTER SIGNATURE. ADVANCES AGAINST THE LOAN WILL BE OBTAINED (ONCE THE PROMISSORY NOTE HAS BEEN SIGNED) BY THE GOJ FORWARDING LETTER REQUESTS

THROUGH DOD (FOR CERTIFICATION BY THE DEFENSE SECURITY ASSISTANCE AGENCY) TO THE FFB. A SEPARATE RATE OF INTEREST IS DETERMINED FOR EACH ADVANCE, BASED ON COST OF MONEY TO THE USG PLUS AN ADDED PERCENTAGE TO COVER ADMINISTRATIVE FEES. THE DISBURSEMENT PERIOD WILL BE A MAXIMUM OF ONE YEAR, AND AFTER THE LAST DISBURSEMENT FFB WILL ESTABLISH A SINGLE FIXED EQUIVALENT INTEREST RATE FOR APPLICATION AGAINST ALL PRINCIPAL OUTSTANDING IN LIEU OF THE SEVERAL SEPARATE RATES.

5. THE MAJOR ITEMS TO BE FINANCED BY THIS CREDIT INCLUDE:

QUANTITY	ITEM	EST. COST (\$ MILLIONS)
2	RECC NOSE (MOD 4 A/C)	\$.711
200	MISSILE AIM 9J	3.399
30	HOW SP 155MM M109A1B	12.156
14	HOW SP 8 INCH M110E 1	6.034
-	F-5E PUBLICATIONS	100
-	INIT PROC OF LONG LEADTIME	5.500
	MANUF/PROD EQUIPMENT FOR INSTALLATION IN TANK REBUILD SHOP	
-	ACCESSORIAL COSTS	2.100
	TOTAL	\$ 30.000

6. ACTION REQUESTED: SUBJECT TO THE APPROVAL OF EMBASSIES AMMAN AND JIDDA OF THE ARRANGEMENTS DESCRIBED ABOVE, BOTH EMBASSIES ARE REQUESTED TO SEEK HOST GOVERNMENT CONCURRENCE IN THE ARRANGEMENTS. WE WOULD APPRECIATE AN INDICATION FROM JIDDA AS SOON AS POSSIBLE AS TO WHETHER SAG WOULD BE PREPARED TO AUTHORIZE THE SAUDI AMBASSADOR OR OTHER DESIGNATED OFFICIAL TO SIGN A PROMISSORY NOTE AS CO-OBLIGOR/

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GUARANTOR IN WASHINGTON ON OR BEFORE JUNE 30. IF THE JUNE 30 DEADLINE IS OUT OF THE QUESTION, PLEASE PROVIDE AN ALTERNATIVE DATE, PREFERABLY IN EARLY JULY. JORDANIAN SIGNATURE OF THE LOAN AGREEMENT IS REQUIRED IN ANY EVENT ON OR BEFORE JUNE 30. ASSUMING THERE IS GENERAL CONCURRENCE IN THE PROPOSED PROCEDURES, THE GOJ SHOULD BE REQUESTED TO INITIATE ACTION ON THE REQUIREMENT FOR A WRITTEN OPINION OF THE COMPETENT LEGAL ADVISOR CONCERNING AUTHORITY TO EXECUTE THE VARIOUS DOCUMENTS. FINALLY, BOTH GOVERNMENTS SHOULD PROVIDE NECESSARY INSTRUCTIONS TO THEIR RESPECTIVE WASHINGTON EMBASSIES CONCERNING NEGOTIATION OF THE LOAN AGREEMENT. KISSINGER

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Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Authority: KelleyW0
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Disposition Date: 28 MAY 2004
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Margaret P. Grafeld
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